

After Camp David: **EGYPT CONFRONTS PEACE**



INTERVIEWS:

Hani al-Hassan (PLO)

Butrus Ghali (Egypt)

DECLARATION

by West Bank, Gaza Leaders

**Also: Egypt's Industrialization
and Dependency Theory**

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EGYPT CONFRONTS PEACE

by Marie-Christine Aulas

At Camp David, President Sadat pushed his logic to its ultimate conclusion: a separate peace, adorned with a vague formulation about the future of the occupied territories. All these his own collaborators, diplomats as well as military, had ruled out during the Jerusalem and Cairo negotiations of January 1978, and at Leeds in July. The evolution to this conclusion has been evident since the trip to Jerusalem, as Egypt emerged without credit in the third world and isolated in the Arab world. In this sense, President Sadat at Camp David ratified a *de facto* situation.

Having played its last card, the regime will have to unveil realities heretofore hidden, the same realities that drove it to this desperate gesture. For some time the authorities, like the press, have maintained a prudent silence about the *infitah*, the open door policy officially announced just after the October War as a means to resolve the country's economic difficulties. Despite its failure and the seriousness of the popular protest it engendered in January 1977, no attempt has been made to correct or alter it. Rather, the official line consists of presenting the solution to current economic problems as dependent on the political settlement of the "national question": the recovery of the occupied territories and resolution of the Arab Israeli conflict. The solution to these difficulties is postponed until the "golden age" which must follow a peace settlement. Simultaneously, the cause of all these problems is attributed to factors external to the current policy: the Nasser era, insufficient Arab aid, or the war. Thus a confrontation with an increasingly alarming reality is avoided.

The Devaluation of the Egyptian Pound

Meanwhile, the Egyptian economy is collapsing. Its disintegration has reached the point of jeopardizing the very foundations of the infrastructure which it has acquired up to this point.¹

The implicit risks of the open door policy for a vulnerable economy such as Egypt's became even greater in the wake of the measures imposed by the International Monetary Fund (IMF) in January 1977: the 60 percent devaluation of the Egyptian pound (LE), and the termination of subsidies for basic necessities.* The bulk of the population reacted immediately to this second decision, forcing the government to suspend the measure at the time. Since then the government has been working towards such a cut-off indirectly and by unobtrusive steps: lowering the quantity of a product sold for the same price, raising the price over a period of time, changing the brand name. The key decision to devalue the pound, because of its abstract and non-immediate character, was not recognized by the angry crowds, but it has taken its effect since that time, causing a chain reaction throughout the national economy.²

In the wake of the devaluation, there was an increase in the cost of imported goods on which Egyptian industry and agriculture are structurally dependent. In addition, the cost of labor is rising continuously due to inflation and the competition of an Arab market open to Egyptian workers. The fate reserved for the small manufacturing industries,* the domain traditionally reserved for the national bourgeoisie,

*These subsidies represent 10 percent of the Gross National Product in 1976, according to the World Bank.

scarcely stimulates investment and initiatives of private capital in the productive sector. This sector is being rapidly imperiled. Numbers of small enterprises are going bankrupt, consigning skilled workers to unemployment and, soon afterwards, to emigration. When they themselves do not choose this solution, the small capitalists reconvert into the tertiary sector, that is, tourism or import-export activities, which have flourished over these last years.

With no elements in the private sector, either local or foreign, likely to compete with it, the public sector, representing national capital, remains dominant in the country's industrial production. But this position is increasingly precarious. For, despite its virtual monopoly of major industry (steel at Helwan, chemical fertilizers at Aswan, the textile complex at Mahalla al-Kubra, among others), the public sector is deprived of centralized coordination and left to its own direction. It remains subject to the old regulations and laws which are not applicable to foreign capital.³ In addition, lacking sufficient investment, the public sector is in no position to replace old or defective machinery, resulting in a net decrease in quality and productivity. The case of the large fertilizer factory KIMA at Aswan, currently working at 25 percent of capacity, is far from being an exception. The Aswan Dam itself has only three of its twelve turbines working! Since the beginning of the open door policy there has been talk of selling stock in public sector industries. If this has not yet been done, it is because no capitalist wants to invest in a deficit sector which lacks even the means necessary to function.

Threats to Cotton Cultivation

Recently, strange events within parts of the public sector seem to be spreading. For instance, part of the large IDEAL company, well known for the export of office materiel and household wares, was the victim of a fire, as had been other warehouses and stores belonging to national capital. Then, a short time ago, a French company signed a contract which gives it 51 percent of IDEAL's capital without contributing any capital of its own—it brings only its name and technology.

This pales, however, beside the Amereyah scandal which, with others, dominates the internal life of Egypt despite the indifference of the press. This new scandal has implications far greater than those concerning the Pyramids plateau or the sale of the Egyptian cinema's infrastructure, both effectively halted last May. It is the first case where national capital clearly showed its opposition to the new economic system. An immense industrial complex of synthetic fibers, threads and cloth is to be built at Amereyah, not far from Alexandria. The project, involving investments on the order of \$1.5 billion, is the fruit of a joint venture of the Egyptian state and some multinationals with Arab backing, although it is outside the main lines of the planning directive announced by the government. By the time the pro-

ject was about to begin, the Misr Bank had already invested the equivalent of LE 167 million in currency.⁴ The High Council of Investment, presided over by the Prime Minister, Mamduh Salem, decided last July to block its implementation, believing that it did not meet any economic necessity and that there had been serious violations at certain high levels in its constitution and implementation procedures. In fact, the alarm felt by the holders of national capital, the public sector, at the prospect of a project which would threaten the country's dominant industry and its most important product, cotton, seems to be at the origin of this decision. It does not seem, however, that the decision is final: at the end of August, the chief of state asked for a parliamentary inquiry to shed light on these irregularities.

During the same period, the Minister of Planning, Abdel Razzaq Abdel Meguib, felt he could state that cotton cultivation was not essential for the future of Egyptian agriculture.⁵ Cotton production has certainly been in constant decline due both to the decrease in the harvest and to the limitation placed on the area planted. But this is due to the repercussions of economic policy. The devaluation of the pound increased the cost of fertilizer and pesticides sold on the open market. In addition, since cotton is always sold at a fixed price to the government, the fellahin prefer to turn to more profitable crops like citrus fruits in order to pay the land rents, which have doubled this year. More than ever, the landowners are favored: a further amendment to the agrarian reform law passed on June 23, 1975 allows them the possibility of increasing the size of their holdings to 200 feddans.⁶

Just as President Sadat is beginning a campaign for the improvement of the land,⁷ the cultivable area is decreasing, not only due to the advance of the desert. The lands improved during the last years have been sold over the past few months at auction with an opening price of LE500 to 800 per feddan. The price reached LE 7000, which effectively prevents the small fellahin from acquiring property. Previously, the sale at auction of improved lands did not exist: peasants had priority and benefitted from a 30 year payment plan. Today these lands are being acquired for fabulous sums, not by rural residents but by city dwellers who speculate on designated agricultural lands to create tourist projects or residential and industrial complexes.

Exports only cover 35 percent of imports and the commercial deficit grew in 1977 to LE 1215 million. It is easy to understand why Egyptian and Arab capitalists prefer to invest in the non-productive sectors where profits, although ephemeral, are high, and then to invest these profits abroad. The multinationals have also failed to respond to the attractive invitation extended them. The law on foreign investments passed in June 1975 is one of the most liberal in the world, much more so than any other currently in force in the Arab world. According to its terms, foreign investors benefit from a special system which leaves them non-liaible to the labor law applicable to Egyptian industry and gives them very ad-



Fellahin cutting sugar cane near The Valley of the Kings.

SADAT'S "GREEN REVOLUTION"

Egyptian agriculture is not feeding its people. The 2 million tons of wheat produced each year supply less than one-half of the country's needs. In 1977, Egypt had to import some 4.3 million tons, a figure expected to rise to 5 million tons by 1979, making Egypt the largest wheat importing country in the world. Confronted by an agricultural sector that has shown little growth in recent years, Sadat proclaimed a "Green Revolution." Land reclamation is the focus: by the year 2000 some 2.8 million reclaimed acres are to be added to the 7 million acres now under cultivation. Reclamation, however, is costly: an estimated \$2,100 per acre is required to finance the costs of irrigation, soil enrichment, new roads and public services. Even then, reclaimed desert land is often of low productivity. Agricultural experts have pointed out that Egypt might be well advised to concentrate on improving the productivity of the land already under cultivation, since a \$30 investment per acre could bring the 50% of cultivated land in poor condition up to high productivity, thus increasing production at much less cost.

The seeming illogic of the "Green Revolution" can be understood by recognizing that the plan involves turning part of Egyptian agriculture over to private interests. Although the government is involved in Egyptian agriculture in the sense that it gives farmers strict quotas for cotton, wheat, rice, lentils, and sugar cane—which are then bought at government-controlled prices—it is not planning to invest in agriculture. The agri-

culture sector, responsible for 31% of GNP, 60% of exports, and 50% of the labor force, will receive only 9-11% of the government investment under the new five-year plan (1978-1982). Land reclamation will only be achieved by opening the new areas to private investment by allowing and even encouraging the penetration of agribusiness. A few private investments in the agricultural sector, operating jointly with local capital, are in preparation: Coca-Cola and an Egyptian company are planning to grow oranges near Ismailia, a Japanese firm is considering fish farming in the Bitter Lakes, and the West Germans are looking at poultry production.

Such ventures will probably serve as models for the 2.8 million acres to be reclaimed. Since the government has no serious intention of promoting agriculture through national investment, the reclaimed land will fall into the hands of those who can support the costs of reclamation: mainly foreign and agribusiness companies. The land reform policies of the 1950s and 1960s, already undermined by recent laws favoring the landlords, will be dealt another series of blows as the Egyptian peasant as freeholder is excluded from the new lands. Of course, the fundamental obstacles to foreign investment will most likely render Sadat's "Green Revolution" like the rest of the infitah policy, a dead letter.

— J.T.

Sources: Arab World Weekly, July 1, 1978; The Financial Times, July 31, 1978.

vantageous fiscal exemptions. In the free zones this exemption is total, with no time limits. Nonetheless, there has been no serious investment of foreign capital in the productive sector, even in the free zones. None of the announced projects have reached implementation phase, even those of a firm like Coca-Cola, which has found in Egypt the opportunity to break the wall of the Arab boycott imposed by the Arab League.*

On the other hand, the multinationals have penetrated so massively into the tertiary sector, especially banking, that the government finally decided in August to authorize no new banks. The invitation extended to foreign banks was aimed at the stimulation of Egyptian banks and of investment. In fact, thanks to special legislation in their favor and to their high salary scale, foreign banks have been able to attract the best of the high-level personnel from the Egyptian banks, placing the latter at an extreme disadvantage. In addition, the Egyptian branches of the big multinational banks, far from bringing in capital, put a drain on the savings of Egyptians working abroad. 80 percent of the sums thus deposited are transferred to the European or American parent banks. This is why national savings declined sharply between 1975 and 1977. As to the rest of the savings deposited in these banks, they serve essentially to finance luxury imports and projects such as Wimpy and Kentucky Fried Chicken chains.

The free zones, designated by the *infatah* to become the turn-table of the Arab market, the test of the success of the new economic policy, are facing a less ambitious reality. Only refrigerated warehouses designed for the storage of frozen imported meat and chicken have been built. Despite many projects, the free zones have not attracted any industrial investment. They are overflowing with imported products of every kind, to the point where some derisively refer to them as Big Chawarbi, a reference to a small Cairo street known for its black market.

The "Revitalization" of the Economy

This critical state of the Egyptian economy is all the more alarming as the country has never in its recent history received so much foreign aid. Yet, at the end of 1976, the Egyptian state was on the verge of bankruptcy, incapable of repaying the short-term loans which it had contracted. With the help of Saudi Arabia, the United States, and international bodies like the IMF and the World Bank, Abdul Moneim al Kayssouni, then Minister of Finance, tried to clean up the economy.⁸ But what in fact happened? The devaluation of the pound had repercussions on the customs taxes, which are calculated on the basis of

the exchange rates. This, coupled with the abolition of certain credits on the subsidies to basic necessities, permitted only a small step in the direction of balancing the budget.

As for the external debt, amounting to \$12 billion at the end of 1976,⁹ it was restructured from short-term credit facilities into long-term debt. This clean-up of public finances was superficial and dangerous: superficial because the devaluation of the pound had repercussions on the internal market and on production; dangerous because it disguised an acceleration in the process of Egypt's total economic dependence on the international capitalist market.

But this was certainly one of the risks implicit in the open door policy. What was yesterday's fear has become today a compelling reality. First, the emphasis accorded the import-dependent economy has pushed imports from LE325 million in 1970 to LE 1,538 million in 1975, and LE 1,884 million in 1977. Second, Egypt has become enmeshed in a web of aid and loans without these monies being invested in the productive sector.

The state of the Egyptian economy led its creditors to regroup to decide on a common strategy. In the spring of 1977 and 1978, the World Bank assembled them in Paris to coordinate their aid. At that time an incredible percentage of the aid and loans given Egypt remained unused. Certainly, some of this can be explained by the inability of the Egyptian partner to furnish the matching funds in local financing which the loan requires. More generally, though, it is due to an imprecise and incoherent economic policy, one rife with inefficiency and negligence.

In addition to the decisions made each year by the Paris Group, foreign interference in the Egyptian economy is exercised permanently within the country. There is the IMF representative in Cairo, and a great number of resident foreign experts whose role is nothing less than the one which Lord Cromer assigned to his "obligatory advisers." Even private financial firms such as Morgan, Stanley of the U.S. are today supervising the work of one of the world's most ancient administrations.

The disintegration of the economy has inevitably had repercussions in the social sphere. The overwhelming majority of the population must find individual solutions to the problems which the state is no longer capable of solving: employment, the high cost of living, housing, transportation. The quest for solutions to make ends meet, the search for "schemes," accelerate the collapse of the state's role. Corruption takes a legal form. The black market is becoming common. Law no longer exists, except as applied to a few scapegoats.

For many more every day, emigration has become the panacea. Far from stopping the drain, the state provides every facility (multiplication of passport offices, prolongation of passport validity, etc.) with the hope of having the savings of the emigrants subsequently invested in the country. Formerly, most of the highly qualified or skilled workers were taking advantage of the situation. Today it is the unskilled

*Coca-Cola is not the only firm to take advantage of Egypt's desire to attract foreign investment at any cost. Ford and Colgate-Palmolive have also set up joint venture operations. Motorola, Cadbury, Schwepps and Xerox have projects on the drawing boards. Although investment in Egypt may not be very seductive on its own account, it offers blacklisted firms a possible springboard into the oil-producing Arab market. In the wake of the Camp David accords, joint Egyptian-Israeli projects, discussed after the Jerusalem talks, are now being reactivated. A nuclear power plant and an oil depot and refinery in the Sinai are among the proposed projects. — Eds.

OPEN DOOR TO DEBT

With the failure of the Open Door policy to revitalize the Egyptian economy, Egypt joins the ranks of those Third World nations caught in the debt trap. Heavy reliance on foreign aid from western and Gulf countries, international institutions, and private banks has not wrought the "economic miracle." In 1978, after several years of substantial outside help, Egypt is scrambling to obtain the funds necessary just to pay off the interest on old loans.

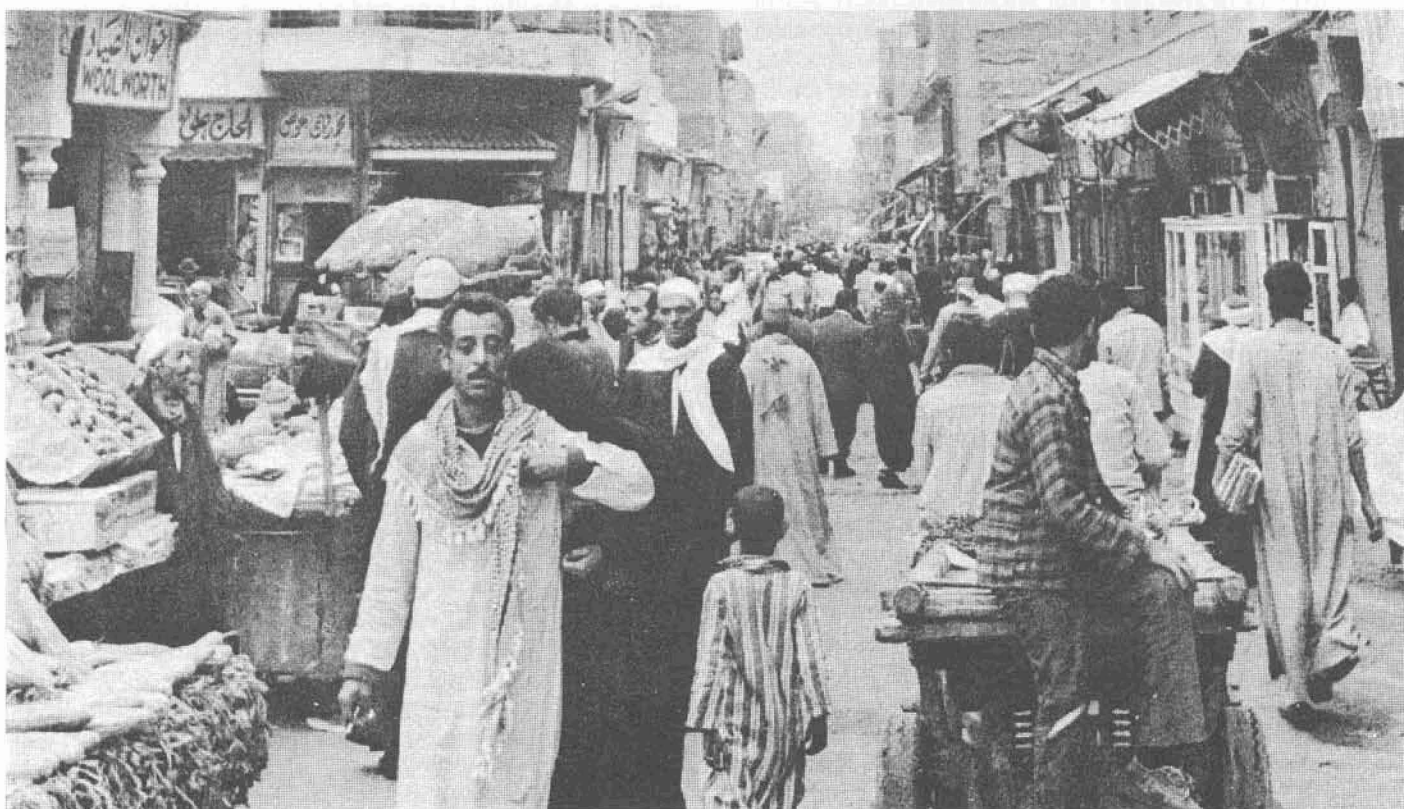
With estimates of 1978 imports at \$6.45 billion and exports at \$2.3 billion, the trade deficit will reach slightly over \$4 billion. Revenues from the Suez Canal, tourism, and transfers from Egyptians working abroad may increase this deficit to \$2.2 billion, but interest and installment payments due of some \$1.2 billion mean a total deficit over \$3 billion. The International Consultative Group, Egypt's main creditors, agreed in June to provide \$2.4 billion, of which \$1 billion came from the United States alone. As late as August, however, Sadat was still casting about for the remaining \$800 to \$900 million. The Gulf Organization for the development of Egypt (composed of the oil producing Gulf states) promised \$150 million with the hope of more to come, and the International Monetary Fund (IMF) gave another \$125 million. Finally, in August, the IMF agreed to provide \$720 million in credit for a three

year period, balancing Egypt's books for another year.

Reliance on foreign aid may well lead the Egyptian economy out of the frying pan into the fire. Financing to pay off back debts is bought on increasingly hard terms. The IMF serves as a bellwether for the biggest creditors and its unwillingness to provide credit is tied to stiff conditions of economic reform. The IMF recipe for combating "inflation" includes reducing bank financing of government deficits, raising interest rates on local bank loans, loosening foreign exchange regulations, devaluing the Egyptian pound, and lifting price controls and subsidies. The overall impact is to tie the Egyptian economy more tightly to the world economic system and cause severe dislocations at home. Some reforms have been modified due to popular resistance, especially in the case of removal of food subsidies. At this time, however, price controls are being removed gradually so that only 14 items, as opposed to a previous 88, are now controlled. With prices rising, money tight, and no wage increases to speak of, the average Egyptian is experiencing a decline in real income and standard of living.

— J.T.

Sources: Arab World Weekly, Sept. 23, 1978; The Economist, June 3-9, 1978; The Financial Times, July 31, 1978; The Middle East, August 1978.



A street in Cairo

who emigrate. The official figures of a million and a half Egyptians working in the Arab countries is a great underestimate. The unofficial figures are 3.5 to 4 million emigrant workers. Many evade the census: lacking qualifications and contacts, they leave without a contract under guise of a pilgrimage to Mecca or a "tourist" trip. Thus high-level personnel, technicians, engineers, and doctors (educated at state expense), as well as household workers and even peasants, are being forced for the first time in Egyptian history to leave their country in order to support their families. More than 20 percent of Egypt's working population is contributing to the edification of neighboring Arab countries. As well as depriving the Egyptian economy of a great part of its work force, the phenomenon of emigration contributes to speeding up the change in the value system towards consumerism. Whoever emigrates returns with new needs which he tries unsuccessfully to satisfy, to the detriment of local industry which is unable to meet such demands in its current state.

Egypt benefits financially from Arab oil wealth indirectly by way of emigration, and directly through the tourist trade and through real estate speculation, which is the primary focus of the Arab businessmen. These different mechanisms explain the economic boom which the import-export sector, tourism, and real estate have experienced since the *infitah*. Colossal fortunes have been built in a very short time, raining manna on a few segments of the urban population who work in these sectors at different levels. Behind these quick fortunes stands a caste, sometimes called a "new class," sometimes a "parasitic bourgeoisie," for want of a comparable phenomenon elsewhere or in history. This parasitical caste which reigns today over certain Arab countries including Egypt arose from a conjunction of circumstances: the defeat of 1967, quickly interpreted as the failure of socialism,* and the oil phenomenon. Starting from such a basis, the lure of profit without effort is sure to prevail over a long-term national perspective.

Keeping Up Appearances

Internal political life is still dominated by the slogan of democracy to which the regime has laid claim since May 14, 1971. However, the first attempt to democratize institutions dates only from November 1976. At that time the regime needed to find practical ways of easing the passage from a one-party state under the Arab Socialist Union to a multiparty system. Not only were the terms of the deputies elected to the People's Assembly expiring, but the open door and the new external alliances made it necessary.

The legislative elections of November 1976 testified in many respects to the limits of this democratization.¹⁰ Two months later, the popular revolt



Portraits of President Sadat and Sheikh Zayid bin Sultan of Abu Dhabi at a construction project funded by The United Arab Emirates.

against the decisions of the new People's Assembly revealed how wide a gap existed between the people and the institutions. Despite the anticonstitutional referendum of February 1977,¹¹ followed by the expulsion from Parliament of Kamal Eddine Hussein, the path towards democratization followed its course. On June 20, the same Assembly passed a law setting out regulations for the creation of new parties.¹² The first, and until now the only, party to benefit from this law is the New Wafd, established in January 1978.

Although very different from the old nationalist Wafd party founded in 1918 by Saad Zaghloul, the New Wafd profited from its historical prestige. It attracted, not without a certain romanticism, a large part of public opinion sensitized by this first expression of democracy since 1952. Lacking organization and a party organ or mouthpiece (time has been too short), the party became very quickly and without effort the refuge of all those dissatisfied with the regime and, at the same time, hostile to progressive ideas. Thus side by side were all social classes affected by the policy of *infitah*, including some who, although profiting from the new direction, are conscious of the risks and want a rationalization of the economy. The sociological range of those sympathetic to the New Wafd was all the more broad as its ideology remained vague and imprecise. The political program it proposed was astonishingly similar

*Of course, the Egyptian socialist experience did not cause the war of 1967, nor its loss. During the Nasser era, socialism was an expression of national independence which did not necessarily go in the direction generally given to a socialist revolution because it did not eliminate the bourgeoisie.

to that of the regime, with the exception that the latter does not dare to condemn officially the revolution of July 1952 from which it derives its legitimacy. From all points of view, the New Wafd appeared as the party of orderly change, as the only democratic alternative to the regime likely to satisfy a large part of the population as well as Saudi and Western allies.

Faced with mounting threats during the winter—the economic crisis and the scandals, the impasse in negotiations, the reception of the New Wafd—the regime undertook in the spring to arrest the trend which might lead to its demise. In May, in total contravention of Article 152 of the Constitution,¹³ the government passed by referendum a law which consolidated the repression against the left and against the New Wafd on the right. The new restrictions placed on the left provided a clumsy confirmation of a *de facto* situation. The New Wafd was deprived of its leadership—Fuad Serrag Eddine, Ibrahim Farrag, Abdel Fattah Hassan—who were accused of corrupting political life before the revolution of 1952.¹⁴ Although it retained the real possibility of reconstituting itself at another time, the party preferred to make the regime take responsibility: it was dissolved on June 2, demonstrating the limits which the authorities set on democracy.

Was the regime then fearful of an initiative from the army? Soon after the repression of the New Wafd, transfers were implemented within the army. The principle chiefs of staff, veterans of the October War and highly popular with their troops, were transferred to administrative duties and, along with their assistants, were pushed out of command positions. A month later, officers' pay was increased by 20 percent.

Overwhelmed by the contradictions of his own logic, the chief of state then had to find a way out of the internal and external impasses. To fill the political vacuum and restore the facade President Sadat decided in July to create the National Democratic Party which he would head. In so doing he broke his ties with the center party, the Arab Socialist Organization, whose president was none other than Prime Minister Mamduh Salem. This clever stratagem allowed Sadat to redirect criticisms made of the regime onto the government and the prime minister. By taking responsibility for creating a new party designed to enliven the country's political life, the chief of state took a personal risk, as he had on the eve of the October War.¹⁵ Although this party is not yet officially founded (it awaits the beginning of the parliamentary session) its initiatives and activities already capture the attention of the press. The president clearly wishes to surround himself with new men, dynamic and with no prior political ties. This is the case of Mansour Hassan, a young businessman of Western education, named as spokesman of the party by the chief of state. We also find among the other members of the general secretariat, appointed under the same circumstances. Fikri Nakram Ebeid, a very prominent lawyer, until then vice-president of the right-wing Liberal Socialist

Organization, and Maher Mahme Ali, who belonged to the Watani Party before the revolution. The program of the National Democratic Party, drawn up by the head of the University of Cairo, Soufi Abou Taleb, offered few precise signs of a new direction and, because of this, reveals little suggesting a new dynamism in political life. Beyond the program, the motivation of the members also seems likely to create eventual difficulties.

The majority of the center party members, including the prime minister, decided to join the president's party, thus undercutting the reason for its being founded. Party membership forms were systematically filled in without prior consultation with the individuals involved. Thus this National Democratic Party calls to mind the most negative aspects of the Arab Socialist Union and, given its anti-democratic character, inspires very serious fears for the future. The existence of already functioning small parties like that of Mustafa Makel Murad, the Liberal Socialist Organization, or projected parties like the Socialist Workers Party of Ibrahim Choukri, or the National Independent Front with Mahmud El Kaddi and Mumtaz Nasser, will give the illusion of democracy to the outside world; the absence of democracy and the political void which currently characterize Egypt will remain only at the risk of eventual insoluble problems for the regime.

Different decisions taken by the regime may be analyzed only as palliatives to maintain its survival. The stability which the regime still enjoys is due not only to its deft maneuvering to frustrate all alternatives but also follows in part from those new values introduced during the last few years. These values, still imperceptible, affect all social classes and all ideological currents, whether political or religious. Egypt seems to have lost both its Egyptian or Arab and its Islamic identity without knowing with what or with whom to replace it. Individuals doubt themselves and others so much that they apply to themselves words with racist overtones—fatalism, apathy—which the West has long and falsely attributed to them. While many dreams and hopes have been dashed, the transformation to a consumer civilization engenders new behavior, hastening all the more the break with the past. Wandering, mixed at times with despair, the country scatters its energies and hurries toward a decline the like of which has not been experienced for several centuries.

The mediocrity of cultural production amply reflects this spiritual confusion. The dismembered press, repeatedly purged, confuses its informational function with the imperatives of propaganda. Internal problems are evaded if not hidden. News from abroad conforms to the structure of Egypt's increasingly limited foreign relations. If the law concerning parties theoretically permits the establishment of an opposition press, the reality is otherwise. The left-wing weekly *Ahali* is systematically censored. The daily of the right-wing party, *Al Ahrar*, met the same fate shortly before the Camp David meeting, as did the journalists who used to sing the

regime's praises: Samir Sabri on television, Mustafa Amin in the weekly *Akhbar El Yom*.

Religious forces, although finding in this general atmosphere a fertile soil for proselytism, are not succeeding in crystallizing the aspirations of their followers. The religious institution of Al Azhar is now marginal, a fact which contributes to the general decline. Well organized throughout the country, the Muslim Brotherhood lacks a dynamic leadership. Its leaders, who belong to the most conservative tendencies of the movement, neglect current political and social problems. Thus they are bypassed by even more extremist, even more fanatic currents, dispersed among many secret societies.

Progressive currents are not spared the division and confusion affecting the entire society. In addition, they must face repression and infiltration by members of the special services. From among the Nasserites, one tendency joined the Organization of Progressive Unionists (*Tagamoo*) created in 1976 under the presidency of Khaled Mohieddine. The other remains marginal in order "to preserve Nasserite authenticity," according to its representatives. As for the Marxists, they are once again scattered between the official party, *Tagamoo*, and underground parties like the pro-Soviet Egyptian Communist Party and the Egyptian Communist Workers Party created in 1974 from currents stemming from the student revolt of January 1972.

Affected by the same problems as civilians, infiltrated by the same contradictory currents, the army is also disintegrating, less than five years after having crossed the Bar Lev line. It is progressively losing its justification, as it is used for tasks other than those relating to the national question. Its divisions are scattered along different borders—Libya, Sudan, Sinai—for the enemy has changed. When officers are not invited to adopt civilian careers, they are offered the possibility of greatly increasing their pay by putting themselves at the service of foreign armies in the Arab world or in Africa. Even the uniform is changing, progressively adopting the American army's green color, which does not really blend with the desert sands. It is understandable why the Military Academy, so long an elite preserve, has not only had to lower the grade level for its entrance exam but faces this year a severe shortage of applicants.

By contrast, the internal security service is still considered one of the most effective in the world. This dense network enjoys foreign advice and has many new offshoots. Thus Egypt's apparent stability continues despite the political void and the multiplication of potential elements of instability.

Despite their capacity for maneuvering, those in power are nonetheless not totally secure from a *coup d'état* arising from the shadows, as the Egyptian press has already hypothesized.¹⁷ But today, given the internal situation and the nature of the Camp David agreements, it is Egypt's very role which is in question. The problem is all the more serious because it involves the only state in the region which is an unartificial and homogeneous historical entity, the

NUCLEAR WASTE FOR EGYPT

By the terms of a protocol signed June 1, 1978 by Mr. Ahmed Sultan, Vice Prime Minister and Minister of Industry, and the Austrian Ministry of Commerce, Egypt has agreed to lend Austria zones of the eastern desert for burial of its atomic wastes. Other European countries which use atomic energy are also invited to take advantage of these possibilities.

President Sadat briefly referred to this decision at a recent press conference in Salzburg. It failed to capture the attention of the official Egyptian press at that time. The left-wing weekly Ahali first raised the problem, encountering numerous difficulties in obtaining information. Since then, the right-wing daily Al Ahrar has taken up the inquiry. The news, and the fears which it inspires in a number of Egyptian circles, especially scientific ones, has led the official press to raise the question in an attempt to play it down. As with the Amerayah scandal, President Sadat has decided to submit this question to study by a parliamentary commission.

We still do not know the bases of this agreement, although nothing would seem to justify nor lessen the dangers implied by the decision. The choice of areas for storing atomic wastes, situated in the extension of the fault zone of the Afar desert, is not entirely devoid of strategic connotations.

Ahmed Sultan was recently named as the recipient of a \$322,000 bribe from Westinghouse Corporation for lining up an Egyptian Government contract for electrical plants.

— M.C.A.

only country capable of mastering the contradictory regional forces. Between the disintegration which the Egyptian state has experienced over these last years and the country's isolation, which the signing of the separate peace will accentuate, everything leads to the conclusion that the future of Egypt and of the region will be mortgaged for a certain time.

The desire of the western powers to gain control of the Nile Valley is not new. It is part, as was the creation of Israel, of the direct extension of the "Eastern Question," which for over a century has displayed the fundamental antagonism between the industrialized countries and the third world. But is it by isolating Egypt from its regional context, as with the Treaty of London in 1840, that imperialism will be more easily able to resolve the other problems, as the imitators of Metternich claim? By isolating Egypt is the way clear for the development of extremist tendencies elsewhere?

For the present, it is hard to imagine that the United States risked regional bipolarization without having first studied the means of pressure and evaluated the possible choices open to their direct regional partners: Jordan and Saudi Arabia. Still we

must note that before being told about the American initiative, Saudi Arabia, despite its discreet diplomacy, had difficulty hiding its anxiety about the evolution of the region. Indeed, the pressure of events on the borders of the Arab world—Ethiopia, South Yemen, Iran, Afghanistan—and the Egyptian situation both internal and regional, made Riyadh take an unprecedented initiative. For the first time since President Sadat's trip to Jerusalem, Prince Fahd went to Cairo in July (after the failure of the Leeds conference) for the purpose of inviting the Egyptian head of state to rejoin the Arab world. The urgency of the situation led Saudi Arabia to put Arab solidarity before a peace then perceived as global. Today, the results of the Camp David talks, far from changing the facts, can only heighten the fears of Saudi strategy, fears which their American allies cannot share to the same degree. From now on, Riyadh carries alone the responsibility of leading the moderate camp, at the same time satisfying the minimum of national demands. Whatever its financial power, is it capable of this?

¹ See *Le Monde Diplomatique*, January 1976.

² The dollar, fixed at 44 piastres up to that time, was raised to 70 piastres. An Egyptian pound = a hundred piastres.

³ Taking account of the law on foreign investment put into effect June 1975.

⁴ According to the journalist Moussa Sabria, who is in favor of the project, in *Al Akhbar*, August 25, 1978.

⁵ Cotton production represents 23 percent of the national income.

⁶ The agrarian reform limited land holdings to 100 feddans a family. 1 feddan = .42 hectares. (1 hectare = 2.4 acres = SK)

⁷ President Sadat used the slogan the "green revolution" during the winter when he was visiting the Egyptian provinces. A year earlier, his speeches invoked the slogan of "bureaucratic revolution." It happens that these two themes coincide with advice given by the World Bank.

⁸ Mr. Abdel Moneim al-Kayssouni, Vice Prime Minister in charge of economic and financial affairs, appointed in November 1976, left the government at the time of the cabinet reshuffle in May 1978, after having tried to resign several times.

⁹ Two-thirds of this debt is owed to the Western and Arab countries. See *MERIP Reports* No. 56.

¹⁰ See *Le Monde Diplomatique*, November 1976.

¹¹ The referendum of February 1977 contravened Article 74 of the Constitution, which permits a vote on acts but not on laws.

¹² The three preceding parties—then called tribunes—had been set up by President Sadat on March 14, 1976.

¹³ Article 152 of the Constitution states that the President can have a referendum on an important issue but not as a means to pass a law.

¹⁴ The law relevant to parties which was passed on June 20, 1977 prohibited the return to the political scene of parties existing prior to the 1952 revolution, not of former politicians.

¹⁵ The chief of state accepted the Prime Minister's resignation at the end of August, which had been submitted several months earlier. The Prime Minister of the new government formed on October 2 is M. Khalil.

¹⁶ In the government appointed March 26, 1973 which was to prepare for the October war, the chief of state assumed the prime minister's functions.

¹⁷ "The Coup d'Etat" in *Rose el Youssef* (No. 2613), July 10, 1978.

A PENETRATING ANALYSIS OF EGYPT'S REVOLUTION ... CLASS CONFLICT IN EGYPT, 1945-1970

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PLO on Camp David:

"THE PLAN IS TO LIQUIDATE THE PALESTINIANS POLITICALLY"

Excerpts from a MERIP interview with Hani al-Hassan, political advisor to Palestine Liberation Organization Chairman Yasser Arafat and a member of the Palestine National Council and the Central Committee of al-Fatah. The interview was held in Washington in late September 1978.

Q. What does the Camp David summit mean for the Palestinian movement?

A: I think the US was surprised by Sadat's acceptance of a separate deal with Israel. Menachem Begin said he wanted to rename the conference the 'Jimmy Carter conference.' I want to name it the 'Menachem Begin conference.' Begin put Carter under pressure and Carter then put Sadat under pressure. Kissinger, the architect of the new colonialism of our time, gave Israel so many weapons that Begin could maneuver and face the US. Begin played his strong card; Sadat failed to play his. His was the oil card.

Camp David has complicated the whole Middle East situation, and does not advance a peaceful solution. They have separated Egypt from the Arab world, and they are trying to separate the PLO from the Palestinian people. They wrote in the accords that the five-year self-rule will begin *after* the building of the Palestinian administration in the West Bank. Begin and Carter know this will take a long time. The Palestinian people will not accept self-rule under Israeli control. That is a joke. They plan to bring Jordan back into the West Bank step by step, so negotiations will begin with King Hussein. The accords allow for Jordanian participation in the security and police forces.

The US wanted first to liquidate the Palestinians militarily in South Lebanon. Now the plan is to liquidate the Palestinians politically. We won the military confrontation and we now have to win the political confrontation. The Carter Administration underestimates the PLO's strength on the West Bank, in Gaza, and especially in Jordan. During the war in South Lebanon we asked our people in Jordan to protest because the regime didn't allow them to come to Lebanon to fight. The result was the biggest demonstration inside Jordan in 20 years; more than 20,000 Palestinians went into the streets. I am sure the future will not be as it was planned at Camp David.

Q. Why do you think Sadat failed to play his strong card?

A: Sadat went to Jerusalem for psychological reasons. We expect anything after that. Before the summit, [Assistant Secretary of State] Atherton went to Saudi Arabia, where he promised that the US would put forth a comprehensive solution. Sadat came to Camp David with this very strong card in his hand: the American promise to the Saudis that they would lean on Begin. The Americans must like Sadat very much. They know his psychological needs. That's why Carter kept calling him things like "president of the greatest nation in the world." Sadat thinks he is treating others psychologically, and really he only wants someone to flatter him.

Q. What do you think the Saudi response will be? They have been mildly critical. Is this tactical? Do you think they will continue to back Sadat?

A. Those who support him will come into confrontation with the PLO on every level. We will not accept neutrality in this situation. Those who are neutral will also find themselves confronting us. I don't think that the Saudis will support Sadat's step because they know that the PLO will face them. I don't think they underestimate this.

Q. But they can pressure the PLO financially.

A: The Saudis can pressure Jordan and Syria but not the PLO. I can assure you that we have prepared ourselves, especially in the area of finance. Eighty percent of the PLO's financing is from the Palestinian people and not from the Arab regimes. Fateh, which is leading the PLO, is not under the control of any regime. It was said that the Syrians had the Palestinians in their hands. I think it became clear that the Palestinians had rejected Syrian control.

Q: Although Assad is taking a different stand from Sadat, the Syrian and Egyptian economic policies seem to be headed down the same road. What are the important differences between Syria and Egypt?

A: Sadat made the vital mistake of cutting his relations with the Soviet Union. He now has no sources for military supplies. The Americans still regard Israel as the core of their Middle East strategy and will not arm Egypt to the point of becoming a threat to Israel. Similarly, he has realigned Egypt's economy to dependence on the Western banks. If he wants to refuse American peace terms he has to restructure his economy again. Syria is still an independent country. For this reason we have respect for the policy of President Assad, although in some details we do not agree with him. In general he has allied himself with the Soviet Union. His economy is free: it is Syrian, not Soviet or Western. When you are part of the Western bloc, in the last resort you have to serve Israel. But when you are allied with the Eastern bloc, you can effect your own policy.

Q: Let us ask you about another ally of the Eastern bloc: Iraq. The PLO explicitly attacked Iraq.

A: Iraqi strategy is built around confronting Syria. When we have good relations with Syria, the Iraqis are against us, too. When relations with Syria are bad, they are with us. When the Syrians made a new front with

the PLO the Iraqis tried to play a role in Lebanon, going to the south and contacting the isolationists.

Q: They made an alliance with the rightists in the South?

A: They tried. They sent a battalion to the south and tried to contact Chamoun and give him money. However, since this Camp David disaster we are ready to begin a new stage with the Iraqis, and we are waiting to see what the Iraqi role will be.

Q: Does Camp David represent a US success? What is the main Palestinian task over the next year?

A: Maybe President Carter sees it as a US success, but in our view this policy will lead to greater popular hostility to US policy in the area. The Arab people will feel even more strongly that our friends are in the socialist countries, not the capitalist countries. It will lead to new military confrontation. No one can stop this when it is a people's war. The Palestinian task now is to face the imperialist plot against us. In 1970 it was the Jordanian plot. In Lebanon we succeeded in thwarting the liquidation plans. As Marx once said, we must not see in misery only misery. We must not forget that Camp David will mobilize popular forces, which for the PLO is the most important thing. Give me the people behind the PLO, and we can be certain nobody can defeat us.

Egyptian Foreign Minister:

“MAINTAINING A BALANCE BETWEEN THE PALESTINIANS AND THE ISRAELIS”

Thierry Desjardins interview in Cairo with Egyptian Acting Foreign Minister Butrus Ghali, from Le Figaro (Paris), October 4, 1978. Translation from Foreign Broadcast Information Service, October 6, 1978.

Q: Minister, the adversaries of your policy assert that Egypt is heading straight toward a separate peace, and it is true that you signed at Camp David two vastly different draft agreements—a quite precise one with respect to Sinai and a much vaguer one with respect to the West Bank and Gaza.

A: We are not heading in any way toward a separate peace and matters are, in fact, very clear. We have established a parallel between the two disengagements and we will maintain it. All problems between Israel and Egypt should be resolved in 3 to 4 years, and all problems between Israel and Palestine in 4 to 5 years. This means that we have two more or less similar time-

tables. As far as Sinai is concerned, there will first be an Israeli military disengagement to include Sharm al-Sheikh and, later, a gradual normalization in many stages will take place before completely normal relations are established. As for the Palestinian problem, first Israeli martial law will be lifted in the occupied territories, then the military government will be done away with and then genuine autonomy will very gradually be created. I have considered the matter—there will be at least 20 stages and moves on both sides. We will simultaneously—I want to emphasize this, simultaneously—implement two programs. Let me repeat this: There will be two timetables.

Q: But why have you not mentioned the parallelism of these two timetables in the Camp David agreements themselves?

A: For purely practical reasons. We tried to show this synchronization in black and white but this proved technically impossible. In any case, it is necessary to remain very flexible. It is necessary to allow ourselves certain time lags in the implementation of this synchronization so that everything does not suddenly collapse under the weight of the rigidity of documents. But I can assure you that we have really made the Israelis understand that as far as we are concerned such synchronization is absolutely necessary. And they have fully accepted this.

Q: You have been accused of abandoning the Palestinians.

A: This is absurd. Egypt has never committed itself so thoroughly in its support for the Palestinian cause as it did at Camp David. Until now, Cairo has traditionally concerned itself with Gaza. Henceforth we will also be completely committed to the problem of the West Bank. All this has been stated in the Camp David documents. We are members of the quadripartite commission and we will participate in all operations connected with the transfer of authority. Now do not forget that the future authority does not even exist yet. This means that this will be a difficult problem.

Q: But there is the PLO.

A: We really believe that we have the duty to maintain by our presence a balance between the Palestinians and the Israelis. Obviously, we will stand by the Palestinians' side and, once this indispensable aid is given, we will withdraw.

Q: The agreement mainly mentions the West Bank Palestinians. The PLO has remarked that you have forgotten about all the others.

A: Not at all. We have also done some planning in this sphere. There are three kinds of Palestinians—those who are the most unfortunate at present, who live in Israeli occupied territory. Then there is the 1967 diaspora. And, finally, there is the 1948 diaspora. We have started with the first group. It is necessary to proceed slowly and gradually. Consider history. Egypt became independent only in 1936, and even then the British retained their military bases until 1954.

Q: But what about the other Palestinians . . .

A: To start with, it will be possible to issue passports to them, for instance. This would at once enable them to progress from the awful status of refugee to a better one, that of exile. And, ultimately, those of them who wish to return home could be allowed to do so step by step, slowly and gradually.

Q: But the PLO has been officially recognized as the only representative of the Palestinian people.

A: The PLO can board the train any time. This is one of the fundamental principles of the process that has been initiated. Anyone can board this slow-moving train at any time.

Q: You have also overlooked King Hussein, and yet he has an important role to play in the scenario envisaged.

A: Yes. And this probably explains his present reaction, which is a rather superficial one. However, we will pour balm on his scar once the wound is healed. In any case, the role offered to him makes it sufficiently clear that we have not overlooked him.

Q: But you have also said that if he were to stay away, Egypt would be prepared to play the role assigned to him.

A: Yes, because in the heat of negotiations the Israelis raised an objection. "But if Hussein turns down the proposals," they said, "the entire plan will collapse." We told them then: "If he turns it down, we will take his place until such time as he finally agrees."

Q: You are essentially an optimist?

A: Yes, because the movement that has been launched is irreversible. Let me emphasize this point: We are proceeding in an irreversible manner toward a global solution, and Egypt feels that it is completely responsible for this "universality."

Q: What will happen now?

A: We are waging a campaign of explanations throughout the Arab world and Africa and among the non-aligned countries, while making technical preparations for the negotiations. In any case, these matters go hand in hand since our explanations and the first results of negotiations will make everybody think.

Q: What has made President al-Sadat suddenly launch himself into this peace operation?

A: A long analysis. He tried to discover what obsessed the Israelis and found that they are obsessed by the question of security. This has led him to invent the "Al-Sadat method," which, in fact, consists of reversing the traditional timetable of all peace negotiations. First, we offer the Israelis the fundamental principle of peace and then, once their anxiety about security is assuaged, we negotiate this peace with them point by point. This will still be very hard but, let me repeat this, the process is irreversible.



Declaration of the Mayors and Leaders of the West Bank and Gaza

We stand as one with all of our Palestinian people. We have reviewed the Camp David Agreements, and we wish to state that we reject them. We do so because they serve only to strengthen Sadat's policy of surrender and to defeat the political gains won by our Palestinian Arab people. Those political gains, it should be remembered, were achieved by our people only after great sacrifice and they have been supported by the Algiers and Rabat Summit Conference and the United Nations General Assembly.

It is the aim of Sadat to subject the Arab world to neo-colonialism by defeating the Arab liberation movement and by isolating it from its allies in the international liberation struggle. His policies will increase tension in the area, and will subject it to cold war confrontation and to control by neo-colonialism.

The so-called "self-government" proposals for the occupied West Bank and Gaza only legitimize and strengthen the Israeli occupation. We thus consider it a plot against our people's inalienable rights to self-determination and to national independence in an independent Palestinian state under the leadership of the PLO, the sole, legitimate representative of the Palestinians.

Our people have warned more than once that Sadat's policies of surrender would lead to a separate Egyptian peace with Israel, to a division in the Arab ranks, and to a liquidation of the Palestinian cause. Realizing these facts and being committed to the Palestinian Arab national responsibility, the Palestinian people in the occupied territories affirm the following:

1. The Palestinian Arab people inside and outside occupied Palestine are one; united through history, destiny and struggle.
2. The "self-government" proposal is totally rejected in form and content because it strengthens Israeli occupation and perpetuates Israeli oppression of our people.
3. The Palestinian people affirm and insist that the P.L.O. is its sole, legitimate representative and refuse any trusteeship or alternative, no matter in what form or shape.
4. We look forward to a just and lasting peace in the area, achieved only through our people's exercise of their right to self-determination and national independence, after total Israeli withdrawal from all the occupied territories and after establishing an independent Palestinian state.
5. Arab Palestinian sovereignty must return to Arab Jerusalem which is an indivisible part of the West Bank. This is a historical and spiritual cause which can not be compromised.

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EGYPT'S INDUSTRIALIZATION: A CRITIQUE OF DEPENDENCY THEORY

by Patrick Clawson

The impact of international capitalism on the societies of Africa, Asia, and Latin America is the subject of intense debate among Marxists. One of the most prominent schools of thought is the Latin American "dependency" theorists, including A.G. Frank, C. Furtade, and T. Dos Santos.¹ They have argued that integration into the world market transformed Latin American society into a capitalist society, that the "metropolis" has retarded the development of "periphery" industry, and that economic development in the "periphery" is determined by the "periphery's" relation with the "metropolis." This article examines the applicability of dependency theory to Egyptian industrial development from the post-World War I uprisings of 1919 to the Free Officers' coup in 1952.

Claims of the 'Dependency' Theorists

Dependency theorists argue that Latin American society has been capitalist ever since the Spanish and Portuguese conquest oriented production towards the world market. By assuming that production for a capitalist market is inherently capitalist, this theory disregards the possibility of a pre-capitalist society producing commodities for a capitalist market. An alternative conception is that capitalism re-oriented these societies towards commodity production but that the relations among people in the process of production remained pre-capitalist.* This was the least expensive and easiest way to obtain the commodities capitalism needed.

*P.P. Rey, *Les alliances de classes* (Paris: Maspero, 1973, argue that capitalism sometimes preserves pre-capitalist societies and sometimes dissolves them. Rey emphasizes the resistance of pre-capitalist societies to capitalism's penetration. The history of the 'developing' countries becomes, in this view, the history of capitalism's penetration and transformation of pre-capitalist society. 'Development' is revealed to mean the development of capitalist relations of production.



From *Punch*, January 19, 1884

"Dependency" theorists maintain that changes in the economy of the "peripheral" countries depend upon changes in relations with the "metropolis." The changes, and the dependency, are based on "power relationships." Samir Amin, a neo-'dependency' writer, who rejects the thesis that Egyptian production became capitalist as soon as Egypt was integrated into the world market, has repeatedly argued that changes in the international division of labor between "periphery" and "metropolis" depend upon the strength of political movements within the "periphery." In *The Arab Nation*, Amin writes that Arab industrialization could begin only after "the national bourgeoisie . . . imposed a revision of the international division of labor on imperialism." In *Monthly Review* magazine, he writes, "the engine of change [in the international division of labor] is provided by the anti-imperialist national liberation movement", and "facts do not bear out the interpretation . . . that the new international division of labor is the strategic goal of imperialism."²

An alternative interpretation would be that the dependency of Middle Eastern economies on the West is rooted in the laws of accumulation of capital. The accumulation of capital reproduces the advanced countries' status as advanced and the backward countries' character as backward. As accumulation proceeds in the advanced countries, its requirements on the backward economies change. In the period of the triumph of industrial capitalism, the advanced economies required primarily raw materials for industry and markets for output. In the period of finance capitalism, capital from the advanced economies seeks the highest possible rate of return from investment in backward countries. These changes in the dynamics of accumulation in the advanced countries are the main cause of changes in the backward countries.

Amin claims that writings about the backward countries often neglect class struggle, and that his theory about the causes of changes in the periphery recognizes the leading role of class struggle. The struggle between the bourgeoisies of the advanced countries and the bourgeoisies of the backward countries is hardly class struggle; it is struggle within the bourgeoisie, among bourgeoisies of different nations. Class struggle can bring into question on what principles society will be organized—capitalist profit-maximization or socialist workers' power. Struggles within the bourgeoisie are over who will get the profits squeezed from the workers. In any case, class struggle is but one element in economic change. One of Karl Marx's great discoveries was, "In the society production of their existence, men inevitably enter into definite relations, which are independent of their wills, namely relations of production . . ."³ Class struggle takes place within the context of the dynamics of a given social system. Class struggle is not some indeterminate conflict of wills: it is part of a process of reproducing social relations. Under capitalism, class struggle often propels the capital accumulation process forward: the bourgeoisie responds to workers' slow-downs by developing new machinery which raises productivity and profits. Class struggle can leave the basic social relations of capitalism unquestioned, *unless* that struggle is won by socialist forces who destroy capitalism root and branch and implant new, socialist relations of production.

Two theories are now counterposed. The "dependency" school, as represented by Amin, argues that the advanced countries retard the "development" of the backward countries, especially the development of industry. The alternative interpretation is that the advanced economies base their demands on the backward countries upon the requirements of the capital accumulation process. As accumulation proceeds in the advanced countries, the needs of accumulation change and so do the requirements placed upon the backward countries. At one period, advanced capitalist economies prevented the industrialization of the backward countries; in another period, imperialist capital was the motor force behind local industry.

The Cotton Economy Before 1919

With the rise of capitalism in Europe, there began the formation of a world market based on capitalist industry's need for raw materials.* The relentless search for raw materials (including foodstuffs) was the prime force in transforming pre-capitalist societies into commodity producing societies, generally of a non-capitalist sort. This transformation entailed

the creation of private property in land. Egypt's integration into the capitalist world market occurred largely through the export of cotton, which grew by leaps and bounds from the mid-1800s until World War I. Commodity relations spread throughout the economy, based on production for export and on imports of manufactured consumption goods.

Capitalist production did not emerge in any large-scale way in Egypt before World War I. The blockage of capitalism was *not* due to poverty; agricultural production and income rose dramatically throughout the period. Egypt was regarded as a prosperous country by contemporary observers. The rising income of the landlords could have provided sufficient funds for industrialization and the mechanization of agriculture. The failure to establish local industry was not due to "constricted local markets" or "savings shortages," as conventional development literature implies. Nor was the failure due to the drainage of income abroad. The preservation of non-capitalist commodity production in Egypt was principally the result of class relations, internally and internationally.

European industry was able to produce manufactured goods at a much lower cost than could Egyptian artisans and provide products unavailable from local producers. Pre-capitalist manufacturing, organized along guild lines, had been destroyed in the mid-1800s.⁴ Egyptian commodity production was thereby restricted to those goods in which Egypt possessed a 'natural' advantage over the advanced capitalist countries, for example, cotton. Just as it prevented the generalization of commodity production, the internationalization of commodity trade also prevented the formation of a proletariat. One of the preconditions for capitalism is a pool of potential wage-laborers: people who have been stripped of any control over the means of production and who are forced to sell their labor power to survive. The ties to the international economy—the income from cotton production, the loans from foreign money-lenders—slowed down the dispossession of the Egyptian direct producers and therefore impeded the transition to capitalism. Besides these economic forces blocking Egyptian capitalism, there was also the political power of the British. The advanced country capitalists were unsympathetic to the establishment of local industry. They insisted on low Egyptian tariffs (an across-the-board 8 percent) and no state aid for industry.[†] In all these ways, the internationalization of commodity trade blocked the emergence of capitalism in Egypt.

The Shift in the International Economy

By World War I, the export of capital had replaced the trade in commodities as the main feature of the world economy. Finance capital, coming to dominate the industrial capital in the advanced countries, saw the entire world as potential sites for investment in

*By revolutionizing production through creating modern industry, capitalism enormously expands the physical quantity of raw materials in commodities of a given value. Combined with the increase in the value of production, the effect is a vast increase in the raw materials required for production: "raw materials" including agricultural inputs into consumption goods. Some raw materials could not be easily produced in the original capitalist countries, due to the nature of their use-values. For instance, some mineral products could be more easily extracted in other areas of the world. These 'natural'—that is, not produced by capital accumulation—advantages lead capital to seek raw materials from these areas.

†There was very little state expenditure on any sort of infrastructure or education after the British occupation in 1882.

whatever productive activities would produce the highest profit. No longer was the internationalization of capital confined to the internationalization of commodity trade; now money capital as well operated on a world scale. Industrial capital had been interested in the backward areas only as sources of raw materials and as markets. Capitalists had not been prepared to invest in capital accumulation in the backward areas because they were interested in the accumulation of capital in their own firm. It is the nature of capital to overcome all such limits to its self-expansion. Finance capital, the product of decades of capital accumulation, concentration and centralization, invests in whatever firm, industry, or country can offer the highest rate of return.

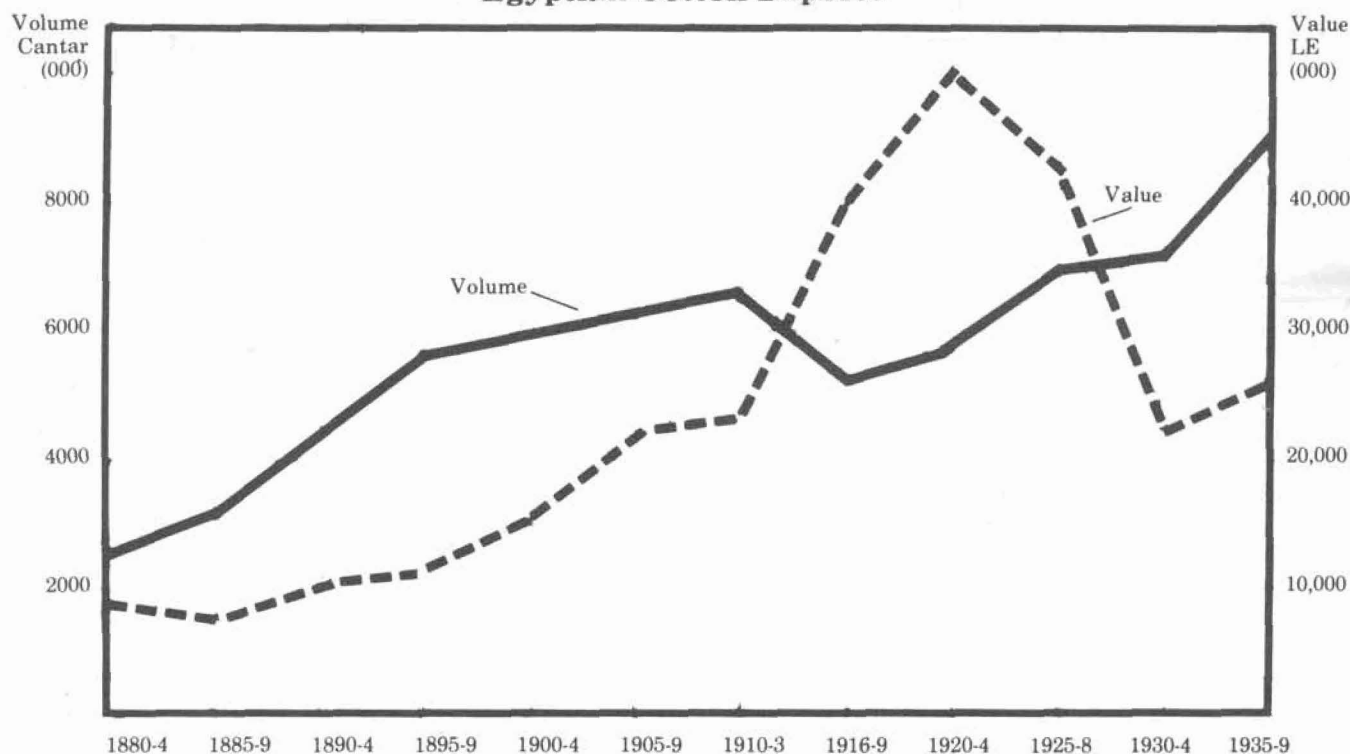
The development of commodity production in the preceding period had created the preconditions for the rise of capitalist industry. Marx identifies two major preconditions for capitalism: a mass of money capital and a group of people who are forced to sell their ability to labor in order to live.⁵ While much of the money capital was foreign, some came from Egyptian locals. During World War I and its immediate aftermath, the value of cotton exports soared as the price of cotton rose. The increased revenue was used to liquidate debts and accumulate holdings of stocks and bonds. By the end of the war, Egyptian residents held some LE150 million* in foreign investments, particularly in British government securities.

This was 50 percent greater than foreign investment in Egypt in 1919. These funds were liquidated during the late 1920s and 1930s, and used for accumulation through the expansion of industry. Lower cotton prices forced landlords out of cotton production and into industry. Producers could no longer count on commodity trade to produce increased revenue; increased production might simply depress prices. Capitalism was seizing hold of the Egyptian economy: the landlord class was forced to make the transition to industrial capitalists.

The cotton economy simultaneously created a supply of potential wage-laborers. Increased demand by the exploiting classes on the direct producers had forced the peasants into debt, leading to loss of control over the means of production. Many peasants became share-croppers, a form of production on the road from independent petty commodity production ("yeoman farmers") to capitalist wage-labor.

The crisis in the advanced capitalist countries in the 1920s and 1930s was a powerful stimulus to the internationalization of money capital. Able to make only meager profits at home, British and French capitalists were more willing to invest in Egypt.

Egyptian Cotton Exports



Note: Cotton seed exports are not included. The value of cotton seed exports fluctuated from LE1.1 million to LE4.9 million.

Sources: 1914-1939, *Annuaire Statistiques*, various years. 1880-1913, Owen, *Cotton in the Egyptian Economy 1820-1914* (London: Oxford University Press, 1969), p. 197, citing mostly the *Annuaire Statistiques*. Owen adjusts the data; for reasons he explains carefully, the published data are roughly 41% too low.

Local Capitalists and Industry

The Egyptian nationalist movement had been calling for the establishment of Egyptian industry, with government assistance, to reduce dependence on Europe. Public boycotts of British banks, stores, and products were organized in the early 1920s at times of Anglo-Egyptian crisis.⁶ Despite the defeat of the Wafd (the nationalist party) by the Palace and the British, the government broke with its past practice and began to aid industry.⁷ The 8 percent excise tax on locally produced textiles was repealed in 1925. Tariffs on manufactured goods rose steeply in the early 1930s as Egypt gained control over tariff policy. When the Egyptian-owned Bank Misr ran short of funds in 1926, Parliament entrusted it with public deposits rather than let it go under.⁸

State aid was undoubtedly an important determinant of the pace of local capital accumulation; it is not clear, however, that this aid was essential. Tariff barriers are often said to be crucial to initial industrialization, yet in Egypt some industries were established before any tariff protection existed. The key factor was the rise of finance capital ready to invest in profitable ventures in any sector of the local economy.

An important institution in organizing the rise of Egyptian industry was the Bank Misr.⁹ Founded in 1920 by Egyptian nationalists, the Bank had deposits of LE3.2 million by 1925, largely from the landlords. Large landlords were also the main investors in the industries set up by Bank Misr. Misr Cotton Spinning and Weaving got 87 percent of its capital from landowners. Egyptian merchants also supported the Bank Misr. While European merchants controlled the import trade, the rise of local industry gave local merchants products to market. At first, the Bank set up firms with such little regard to profitability that it ran short of funds at several points.

*Throughout the period under discussion, LE1 = L1 = \$5.

Bank Misr was initially opposed to any co-operation with foreign capital, but other nationalist elements were not opposed to such co-operation. By the 1930s, when the real industrial boom began, Bank Misr had shifted its attitude. It was forced to seek foreign technology and take foreign partners who threatened to set up local production competing with Bank Misr firms unless they were brought in. Bank Misr controlled textile mills, printing presses, button factories, and linen-spinning mills. It dominated the entire Egyptian economy up until its nationalization in 1960.

Foreign Capital and Egyptian Industry

The rise of Egyptian industry was certainly facilitated by the changing attitude of local landowners and merchants, now more willing to accumulate capital via industrial production. But Egyptian industry was essentially established by foreign capital; in 1933 77 percent of the assets of manufacturing and commercial corporations were in companies with foreign participation. These companies included the largest and most modern firms, which set the pace for the rest of industry. At the same time that it was flowing into industry, foreign capital was leaving the cotton economy. The assets of foreign-controlled mortgage companies fell precipitously from 1914 to 1933, such that total assets of foreign-controlled firms in Egypt declined. The drop is less significant than the shift in foreign investment towards industry; where 14.2 percent of the assets of foreign-controlled firms in 1914 were in industry and commerce, in 1933 the figure was 27 percent.

In theory, all local firms including those with foreign participation, were controlled by Egyptians. Progressively tougher laws were enacted in the 1930s and 1940s requiring Egyptianization of corporations. The 1947 law required 51 percent of the capital, 40 percent of the board of directors, 75 percent of the

Paid-Up Capital and Debentures of Companies Operating in Egypt 1914-1939
(LE thousands)

	(a) Total Assets					(b) Assets of Companies with Foreign Participation			
	1914	1919	1929	1933	1939	1914 % assets all firms	1934 % assets all firms	1934 % assets all firms	1939 % assets all firms
mortgage	54,569	52,888	44,766	40,664	22,103	54,569	100	40,240	99
bank and financial	5,727	5,747	6,269	5,819	6,236	5,727	100	5,085	87
agricultural and urban land	18,573	16,888	12,485	12,300	12,586	12,332	66	6,745	55
transport	6,076	5,572	4,634	5,260	5,562	5,733	94	4,445	85
industry and mining	12,331	11,367	14,356	14,415	19,063				
commercial	2,876	3,829	12,566	12,547	9,363	13,405	88	20,780	77
TOTAL	100,152	96,291	94,776	91,002	74,913	91,766	92	77,025	85

Sources: (a) *Annuaire Statistique des Sociétés Anonymes par actions travaillant principalement en Egypte*, 1939.

(b) Crouchly, *The Investment of Foreign Capital in Egyptian Companies and Public Debt* (Ministry of Finance Technical Paper No. 12, Cairo, 1936), p. 106. A few corrections have been made to bring Crouchly's data in line with those in (a).

Notes: Data do not include the Suez Canal. These data are partly legal fiction. The importance of foreign capital is overstated in that the data refer to corporations only. The table understates the importance of foreign capital in that the data do not include bank loans. Notice that the table does not show the amount of capital invested in Egypt by foreigners.

employees, and 90 percent of the workers to be Egyptians. But the laws were frequently ignored or obeyed in appearance only. Gritly makes clear that locals had little part in day-to-day management: "It is frequently alleged that the foreign controlling interests retain the substance of power while the Egyptians sitting on the board, being strawmen, are suffered for compliance with the letter of the law."¹⁰ All in all, Egyptian industry was largely owned and run by foreigners, and there is precious little evidence that foreign capital was opposed to industrialization.¹¹

An important group in the establishment of local Egyptian industry were foreign citizens living in Egypt. When the Egyptian Federation of Industry was established in 1922, the eleven directors all lived in Egypt but only three were Egyptian citizens.¹² None were representatives of foreign corporations. There were 226,000 Egyptian residents listed in the 1927 Census who were citizens of European countries. Many of these people had lived in Egypt for decades. It seems reasonable, however, to include these local residents who were foreign citizens as part of foreign capital. Unfortunately, Egyptian government statistics do not distinguish between Egyptian citizens and foreigners. Assets held by foreign citizens living in Egypt are included as "locally-held assets." The table therefore understates the extent of foreign control over Egyptian industry.

Industrialization was not possible without the support of foreign capital. The only sources of technology and expertise were from abroad—both manufactured consumption goods and machine goods had to be imported. With the rise of capital accumulation in the 1920s and 1930s, the demand for imports grew, but there was no corresponding growth in exports. The only source of export earnings was the export of raw materials (cotton) for capitalist industry, yet demand was no longer growing rapidly. The rise of industry meant pressure on the balance of payments. Without foreign money capital, imports of capital goods for the new industries could not expand.*

The progress of import-substituting industrialization was substantial. By the outbreak of World War II, Egyptian industry provided 100 percent of the local consumption of sugar, alcohol, salt, and cigarettes; 90 percent of shoes, cement, and soap; 80 percent of furniture and matches; 40 percent of textiles. Egypt was largely self-sufficient in consumer goods even before World War II gave a great boost to local industry.¹³ While there are no precise data, the general picture is of rapid expansion of industry throughout the period 1930-1945.

The Splits in the Egyptian Bourgeoisie

Neo-Marxist writings about the 'Third World' often argue that the nationalist movement will attract the 'national bourgeoisie'—smaller capitalists who are developing industry and whose interests are antago-

nistic to imperialism. The "comprador bourgeoisie," the large bourgeoisie based on trade and landownership, is said to be tied to foreign capital, and totally reactionary. Mahmood Hussein, Muhammad Anis, and Abd al-Azim Ramadan have argued that there was a split in Egypt between the absentee landowners and the industrialists or national bourgeoisie, and that the national bourgeoisie led the anti-imperialist movement.¹⁴ While in *L'Egypte nasserienne* Samir Amin attacked the 'national-versus-comprador bourgeoisie' theory, he waffles in *The Arab Nation*. He writes that, "the mere embryo" of a national bourgeoisie forces the imperialists into a new international division of labor, while the comprador bourgeoisie co-operates with imperialism. "On this basis the bourgeoisie did develop, but it then lost its national character because development was closely associated with the progress of imperialism." Amin applies this concept to Egypt: "From the Second World War onwards one can no longer speak of a national (industrial) bourgeoisie as opposed to the (supposedly feudal) landholding aristocracy: we are talking about a fusion between two sections of the same class." Besides implying that before World War II there was a distinct national and comprador bourgeoisie, he later contradicts his analyses by saying that "the Nasser regime tried for a long time to reach some internal compromise with the national bourgeoisie" against the "latifundist and comprador bourgeoisie."¹⁵

The distinction between national and comprador bourgeoisie makes little sense in the Egyptian context. Asim al-Disuqi has shown that the richest people in Egypt, including large absentee landlords, were heavily involved in the Misr group and thereby in promoting industrialization. The so-called "comprador bourgeoisie" was actively "developing" the country. Furthermore, the industrial wing of the bourgeoisie sought the co-operation of British imperialism and of foreign firms. These "progressive" capitalists were not interested in an anti-imperialist alliance with the popular masses.

The Egyptian ruling class was indeed split, but not along "national" versus "comprador" lines. Some landlords and merchants were making a transition to industrial capitalism.* The other sector of the Egyptian ruling class remained rooted in commerce and landowning. This section poured its savings into the purchase of land, to the disgust of the industrializing bourgeoisie. Largely displaced economically, the landowning 'Palace group' retained political power until 1952.** The landlords

*Industry includes capitalist agriculture. Marx felt that the process whereby the "merchant establishes direct sway over production . . . presents everywhere an obstacle to the real capitalist mode of production." (*Capital*, Volume III, pp. 334-5). Marx's statement must be modified when applied to the era of imperialism, when the internationalization of commodity trade has already dissolved the older pre-capitalist modes and generalized commodity production. Merchants and landlords can now revolutionize production by combining foreign technology and foreign machinery with a labor force of proletarianized petty commodity producers. The emergence of an industrial bourgeoisie is tied to the internationalization of money capital. In seeking the highest return wherever it may be obtained, money capital encourages all-round expansion of markets and state protection for accumulation of capital; i.e., money capital requires the expansion of capitalist relations of production.

**The 'Palace group', obviously controlled by the large landowners, retained control of the state administration even during the brief periods of Wafd rule. The Wafd itself was opposed to a progressive land tax or to land reform. Membership in the Senate was open only to those owning over 150 feddans (a feddan is 1.1 acres).

*Egypt entered this phase of the internationalization of capital with a large mass of foreign exchange which could speed the initial capital accumulation. The foreign exchange constraint on capital accumulation was not reached during the 1930s. The main constraint to industrialization was the continued hold of pre-capitalist production, especially its hold over state power.

could win substantial aid from the state. The Agricultural Credit Bank, set up with state aid in 1931, had EE12.6 million in outstanding short-term loans (for seed, fertilizer, and cultivation expenses) in 1951.¹⁶

The state also provided substantial aid to industry even though political power was in the hands of the large landlords. This reflects the unity between the two sections of the ruling class, which were never so much sections in conflict as moments in a process. Amin argues that, "The Egyptian bourgeoisie can in no way be distinguished from the aristocracy"; the Misr group's "success brought the support of the landed aristocracy, which thereby began to 'bourgeoisify' itself."¹⁷ The unity, which was never as complete as Amin maintains, was enforced by a common fear of the proletarianized masses and the petty bourgeoisie, which were waging sharp struggles throughout the period. The Wafd, aiming to represent the industrial bourgeoisie, was caught between its fear of the proletarianized masses and opposition to the landed aristocracy. Because of the landlord origins and interests of many of its prominent members, the Wafd moved steadily closer to the landlord interests. At the same time, in an effort to maintain its mass base, the Wafd acquired a left wing which the industrialists saw as dangerously close to the Communists. The Wafd ended up without a constituency, and the industrialists gave their support to none of the political parties.

The left wing of the Wafd and other militant nationalists came from neither section of the ruling class, but from the "middle layers" of Egyptian society—the successful petty commodity producers, the professionals, and the academic/bureaucratic intellectuals. These middle layers, the petty bourgeoisie, were torn three ways: not only did they have the same choice as the ruling class between industry and landownership or commerce, but they also faced ever-present dangers of proletarianization. When industry faltered, the petty bourgeoisie was hit hardest. Industrialists could fall back on land ownership if industry proved unprofitable. When their small firms or professional practice faltered, the petty bourgeoisie had no such income source to fall back on. Although the urban petty bourgeoisie owned massive numbers of small plots (mostly under one feddan), these could not provide adequate income by themselves.* The petty bourgeoisie were the most militant in demanding "development" (capital accumulation) precisely because they had the most to lose if the pace did not quicken. The petty bourgeoisie was hard hit by British imperialism's "go-slow" policy on development.

British Imperialism and Industrial Capitalism

The British consistently supported and were supported by the Palace and their landlord allies. In spite of many militant nationalist demonstrations

during the 1919-1952 period, the British clung tenaciously to their colonial powers. One reason for British support for the landlords was the fact that British imperialism was on the decline and could not take advantage of the new opportunities opening up with the rise of a local bourgeoisie. British and French capital were not able to fully exploit the growth of industry. There was little direct investment and an actual decline in the total foreign capital in Egypt. They were unable to move beyond the internationalization of commodity capital: neither Britain nor France developed a financial strength commensurate with their earliest industrial might.

US imperialism, based on not only the world's most advanced and largest industry, but also on financial institutions which concentrated large sums of money capital, was eager to displace the declining British and French imperialists. The expansion of US capital overseas after World War II was based on the export of money capital in forms as diverse as bank loans (through the new World Bank), government aid (the Marshall Plan and Point 4), and direct investment. The export of money capital to the backward areas meant investment in whatever lines of production could produce profits. US imperialism largely supported the rise of capitalist production in the backward countries. Recognizing that political control by the landlords was hindering the development of capitalist relations, elements in the US ruling class took a strong position in favor of land reform.¹⁸ Perfectly content with neo-colonial control over the local ruling class, the US trumpeted the rights of the local bourgeoisies. Nationalist elements like the Free Officers responded with friendship to the US.* Egyptian industrialists were similarly inclined, due to the financial, industrial and technological strength of US business.

The British were quite prepared to support Egyptian industry, but in addition to economic weakness, the Britain's fundamental stemmed from the slow pace of British withdrawal from formal political control stemmed from their desire to see the Egyptian landlords transform themselves into capitalists. The British were determined to avoid conflict between the landowning and industrial interests in the ruling class. Such a conflict could escalate to involve the masses. Mass struggles threatened the British imperialism would be replaced with another power or even by socialism. Fear of such consequences inspired the British dislike for the Wafd.

The expansion of capitalist relations of production was most pronounced in industry. The spread into agriculture was slowed by the political power maintained by the landlords, kept in power by Britain's hope that they would transform them-

*Abdel-Malek writes that Jefferson Caffery, the U.S. ambassador to Egypt, "did not conceal his satisfaction over the 1952 land reform." Opinion in the US ruling class on the subject was divided; the more conservative wing saw land reform as a challenge to property rights and a spur to communism. It was only with the return of the liberals in 1961 that land reform again became the slogan of the US State Department. Naguib, the first head of government after the coup, writes that Caffery was "one of the few foreign diplomats whom we believed we could trust" and that US opposition stopped the British from occupying Cairo at King Farouk's request. See *Egypt's Destiny* (London: Victor Gallancz, 1955), pp. 108-116.

*These plots were rented out to the emerging capitalist farmers so that the farmers could realize economies of scale.

selves into a bourgeoisie. The British wanted to avoid a conflict between the two tendencies within the ruling class: landlord/merchants and the industrialists. But the political power of the landlords prevented capitalist relations from dominating agriculture. It reduced industrialization by relieving the pressure on the landlords to invest in industry and by blocking the proletarianization of agricultural petty commodity producers. The class which had the most to lose from a showdown in capital accumulation (due to the danger of proletarianization)—the petty bourgeoisie—led militant struggles to overthrow the landlords and their mentors, the British. It was this nationalist struggle which set the stage for the 1952 "July Revolution" which brought Nasser to power.

Conclusion

The experiences of Egyptian industry do not correspond to what dependency theorists such as Amin predict. Dependency theory maintains that foreign capital retards industry, reluctantly permitting industrialization when forced to by the national bourgeoisie. But from 1919 to 1952, the motor force behind Egyptian industry was foreign capital. There was no 'national bourgeoisie' forcing foreign capital to permit industry; rather, foreign capital was the catalyst allowing the large landowners to convert themselves into an industrial bourgeoisie.

Egyptian industrialization was a response to the requirements of the accumulation of capital in the advanced countries. In the pre-imperialist era, the advanced economies treated Egypt as a source for raw materials and as a market. Egypt's needs for industrial goods were provided by imports and paid for by cotton exports. With the further accumulation of capital in Europe, finance capitalism arose, and the advanced economies became interested in Egypt from a new perspective: as a site for investment of exported capital. Finance capital was searching for profitable investment, not looking for markets and raw materials. Whereas in the first period the internationalization of capital prevented the emergence of Egyptian industry, in the second period foreign capital was the force behind local industrialization.

This article has dealt with only some economic aspects of dependency theory. A thorough analysis of Egyptian society would have to look at other developments, including political and ideological, which are connected to economics, but as separate realms can evolve with considerable independence.

Footnotes

¹ For a summary and a critical evaluation of dependency theory, see "Dependency Theory and Dimensions of Imperialism," *Latin American Perspectives*, Vol. III, No. 4 (Fall 1976).

² Samir Amin, *The Arab Nation* (London: Zed Press, 1978), p. 26. Most of the relevant material is included in the excerpts published in *MERIP Reports*, No. 68. The *Monthly Review* quotes are from "Self Reliance and the New International Economic Order," July-August 1977, pp. 8 and 12. Amin's implicit theory as to why advanced country capitalists blocked industry is that industry-less economies can be exploited more thoroughly—a dubious generalization.

³ Karl Marx, "Preface" to *A Contribution to the Critique of Political Economy*. Marx hardly discovered class struggle. David Ricardo's theory of economic growth is based on class struggle over the distribution of income.

⁴ On pre-capitalist Egyptian manufacturing, see Gabriel Baer, "The Decline and Disappearance of the Guilds," in his *Studies in the Social History of Modern Egypt* (Chicago: University of Chicago Press, 1969).

⁵ Karl Marx, *Capital*, Vol. I (Moscow: Progress Publishers, 1965), pp. 714-5.

⁶ Roger Owen, *Cotton in the Egyptian Economy 1820-1914* (London: Oxford University Press, 1969), pp. 348-51, cites the calls for industry at the Egyptian National Congress in 1911. Tal'at Harb, the founder of the Bank Misr, had been agitating since 1911 for a bank to mobilize Egyptian savings for industry.

⁷ An important event in the government's shift in attitude was the Parliamentary Commission on Commerce and Industry (appointed during World War I). Excerpts from their report appear in C. Issawi (ed.), *The Economic History of the Middle East 1800-1914* (Chicago: University of Chicago Press, 1966). R. Owen, in "The Attitudes of British Officials to the Development of the Egyptian Economy 1882-1922," *Studies in the Economic History of the Middle East* edited by M. Cook (London: Oxford University Press, 1970), notes "[the Commission] off-stated assumption that the Government had a duty to assist the process of industrialization by taking certain positive steps, among them the imposition of a protective tariff, was clearly a radical departure from all of the policies pursued since 1882."

⁸ Mahmoud Hussein (B. el Nadi and A. Rifaat), in *Class Conflict in Egypt 1945-1970* (New York: Monthly Review, 1973), continually deny that there was any significant industry in Egypt before the 1950s (e.g., pp. 22-24). They also deny that there was substantial foreign investment in the productive sectors of the economy.

⁹ This account of Bank Misr draws on: M. Deeb, "Bank Misr and the Emergence of the Local Bourgeoisie in Egypt," *Middle Eastern Studies* XII-e (Fall 1976); A. el-Gritly, "The Structure of Modern Industry in Egypt," *L'Egypte Contemporaine* XXXVIII (1947)—a Ph.D. thesis at the London School of Economics under W. Arthur Lewis published in its entirety in *L'Egypte Contemporaine*; R. Tignor, "The Egyptian Revolution of 1919," *Middle Eastern Studies* XII:3 (Fall 1976); J. Berque, *Egypt: Imperialism and Revolution* (London: Faber and Faber, 1972).

¹⁰ Gritly, p. 409.

¹¹ For an example of the argument that foreign capital opposes industry, see M. Hussein. Deeb in "Bank Misr" points out that the British Chamber of Commerce was opposed to local industry, including that which was foreign owned. Local production ate into imports, and the import trade was controlled by foreign merchants.

¹² M. Deeb, "The Socioeconomic Role of the Local Foreign Minorities in Modern Egypt 1805-1961," *International Journal of Middle Eastern Studies* IX:1 (February 1978), p. 21. Tignor discusses three weekly economic journals founded by Europeans resident in Egypt—all of which called for local industry and freedom from cotton monoculture.

¹³ See B. Hansen and G. Marzouk, *Development and Economic Policy in the U.A.R. (Egypt)* (Amsterdam: North-Holland, 1965), p. 119, and B. Hansen and K. Nashashibi, *Foreign Trade Regimes and Economic Development: Egypt* (New York: National Bureau of Economic Research, 1975).

¹⁴ On the work of Anis, Ramadan, and al-Disuqi, see Peter Gran, "Modern Trends in Egyptian Historiography: A Review Article," *International Journal of Middle Eastern Studies*, Volume IX (1978). A. Abdel-Malek attacks the national versus comprador bourgeoisie theory in *Egypt: A Military Society* (New York: Random House, 1968).

¹⁵ Amin, *Arab Nation*, pp. 26, 29, 51.

¹⁶ C. Issawi, *Egypt at Mid-Century* (London: Oxford University Press, 1954), pp. 221f. The loans at low interest were meant for small landowners, but large landlords set up dummy co-operatives and got the rules changed to ensure that they got the lion's share of the funds.

¹⁷ Amin (under the name of Hassan Riad) *L'Egypte nasserienne* (Paris: Editions de Minuit, 1964), pp. 75-84. See also G. Baer, *A History of Landownership in Modern Egypt 1800-1950* (London: Oxford University Press, 1962), pp. 201-222.

¹⁸ US support for land reform in the early 1950s is documented by D. Warriner, *Land Reform and Development* (London: Oxford University Press, 1962), pp. 2-5, and by Abdel-Malek, pp. 66ff.

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RESPONSE

DEAR MERIP:

As organizers of the Middle East Film Festival, we would like to respond to Lena Jayyusi's article on that event in *MERIP Reports* No. 69. We had hoped to see in the pages of this magazine a comprehensive article evaluating the Festival in terms of its stated goals: to establish clearly for the American public the importance of the work of indigenous Mideastern artists and filmmakers, and to break through the stereotyped images generated by the US media which focuses on the conflict almost to the exclusion of other issues. Our aim was not to "preach to the converted" but to show that this cinema could be effective in generating the kind of change in consciousness that is the basis for social and political growth. The author acknowledges in a single sentence that the Festival succeeded in offering alternative images of the Middle East. As this was our major aim and an important idea in and of itself, we regret that the opportunity was lost to criticize and explore the implementation of that premise.

Jayyusi's discussion is devoted primarily to criticism of selected films around the issues of feminism, the Palestine conflict and the development of an indigenous cinematic idiom. Given the fact that we consulted Jayyusi from the beginning of our work, it is surprising that her article in no way reflects the pragmatic and political problems of which she was fully aware. While it is the writer's prerogative to choose his or her own focus, we feel Jayyusi's discussion, insightful in its analysis of films, provides a distorted view of what occurred.

The first issue she addresses is that of feminism. Her film criticism on that subject is astute, yet she fails to mention the symposium devoted to discussion of "Women, Cinema and the Middle East" held at New York University in conjunction with the Festival on Friday, June 9. The points raised in her reviews were argued at the symposium by both filmmakers and general audience: the problem of separating feminism from social struggle in general, feminism as a western phenomenon grafted onto Mideastern cultures, the problems of developing a distinctly feminine cinema, etc.

Jayyusi's comments on the treatment of the Palestine conflict in the Festival reflect neither her awareness of our efforts nor the dearth of good films describing Palestinian national history and resistance (or, for that matter, films from the Zionist point of view). We discussed with Lena in detail our frustration in locating such works. Some of the difficulties we encountered are documented below in order to clarify the need both for good films and adequate distribution networks, problems that epitomize the current state of political cinema in this area.

Kafr Kasem, for a preliminary screening alone, would have cost \$2000, a sum we simply did not have;

We solicited *Palestine, The Price of Peace* from the Belgian Cinema Collective but the print never arrived;

We arranged for a representative of the Palestine Cinema Unit to come for an evening to be devoted to Palestinian cinema. The visit was cancelled due to the virtual destruction of the unit following the Israeli invasion of Lebanon and internal political debate. A letter from a Paris representative of the institute who agreed to come in his place arrived on the opening day of the Festival;

The Struggle for the Land was available from Europe only at the exorbitant cost of a new print, for a preliminary screening alone;

Palestine, Path to Tragedy has been lost by the CAABU office in London;

We received no replies to several letters sent to the people handling the film *Jerusalem Never*.

Regarding Jayyusi's suggestion that *Revolution Until Victory* should have been in the Festival, it was our view and that of the Selection Committee that the film had such grave and vicious inaccuracies that a public viewing would only have served to polarize existing prejudices. Our choice of *The Key* as the best Palestinian film available to us was confirmed by recommendations from the PLO and the Arab League.

We faced similar obstacles in obtaining films representing the Zionist point of view. In Jayyusi's critique of the film we finally chose, *A Wall in Jerusalem*, she neglects to mention that it was screened with *To Live In Freedom* which refutes the inaccuracies and omissions of the first film.

The films screened on Saturday at the session on political cinema were not "relegated to backstage" as Jayyusi asserts. The day was organized in order to provide a showing of films that despite severe technical difficulties, we felt were important. For example, Edna Politi's film *For the Palestinians: An Israeli Testimony* was in French with a magnetic sound track, an outdated system of projection. The only projector available for the film did not have a strong enough lamp for theatrical viewing. *The War In Lebanon* is a difficult film on a complicated issue, a problem compounded by an Arabic sound track. We felt that even with a live translation, the film would have been extremely difficult for a general audience in a commercial theater.

In general, we regret that Jayyusi did not evaluate the Festival in its larger context, to shed some light on the problems of media control that make it virtually impossible for the general public to be exposed to the kinds of films we were able to show last June. The Festival did succeed in breaking some ground for indigenous Mideastern film in this respect. A selected group of films will be distributed

to campuses around the country in 1979. The Middle East New Cinema Collective has been formed with the aim of producing a magazine dedicated to the progressive criticism and analysis of films from and about the Middle East. Progress has been made on plans for the shooting of a collective Palestinian/Israeli film.

We agree with Jayyusi that the Festival was far from perfect. By ignoring the real problems of which she was aware, Jayyusi did not provide the kind of constructive criticism that would help us better achieve our goals. Given the confusion and bigotry that surround any discussion of the Mideast, we feel the value of the event was (in Jayyusi's words) that "at least one can say that many of the films, unavailable before, opposed new images to the traditional stereotypes of Middle Eastern peoples and presented to some an occasion for genuine political and social understanding."

Faye Ginsburg
Ilan Ziv

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The author responds:

The Festival organizers take issue with my choice and discussion of two clusters of questions presented in the Festival: the woman's problem and the Palestine conflict. Since my discussion of the former was largely confined to the films and film-makers I cannot see why they find they need to argue with it. Do they believe that points raised about the films and film-makers must necessarily reflect on the Festival itself? Regarding the symposium on "Women, Cinema and the Middle East," the discussion of the important issues never really got off the ground due to an unfortunate choice of moderator. Moreover, in a panel that is seriously to discuss issues of women and the Middle East, it is a clear omission not to include a Palestinian woman. The uniqueness and centrality of the Palestinian experience in the Middle East, from national uprooting to resistance, is unmistakable. The ongoing transformative struggle for liberation that has had the most tremendous impact on the entire area has been deeply significant for the Palestinian woman and has demanded and received her involvement and participation. Her resistance and steadfastness during the siege of Tal El-Zaatar, and her role in confronting the occupation in the West Bank, are well known facets of this revolutionizing experience. One wonders, therefore, why a Palestinian woman was not included on the panel if the issues Ziv and Ginsburg listed had been targeted for serious discussion, particularly as an Israeli woman was invited to participate. Had it not been for the last minute discovery, and consequent intervention and protest, by myself and others, the Israeli consul would have appeared as a panelist, having been invited to take

part and billed as a feminist. One might ask how that would have fitted in with "the problem of separating feminism from social struggle in general"?

It is precisely on the presentation of the Palestine conflict that the real problems with the organization and structure of the Festival are displayed. The issue here is primarily one of *consistency* and *clarity*. If Ziv and Ginsburg's aim was indeed to "break through the stereotyped images generated by the U.S. media," then I would imagine that this should include the stereotypes generated around the Palestine conflict. This is precisely what the Festival not only failed to do, but ultimately dodged. Ziv and Ginsburg, in their response, fail to see my point: regardless of the difficulty they might have encountered in obtaining some of the films they mention, the way they publicized, organized and presented what films they *were* able to obtain, and the selection procedures seemingly employed in including and excluding films they *did* have access to, is problematic. The final day of the Festival, organized around the title "Battle Scars: Arabs and Israelis," started with *A Wall in Jerusalem*, a fanatically Zionist film, and ended with Sontag's *Promised Lands*, another Zionist look at the problem (followed at midnight by a repeat showing of the Israeli film *Paratroopers*). This sequencing structure for the presentation of the films that day itself makes a statement. My review carries a critique of these films so I will not go into that. But one question I raised was, why *A Wall in Jerusalem* was shown at all, given its racist and totally distorted presentation of history. Alternatively, if the aim of the organizers was to achieve some kind of "balance," then why was not a Palestinian version of the history of the conflict shown? I suggested in the review that an available possibility would have been *Revolution Until Victory*. Ziv and Ginsburg's answer raises the question even more forcefully. It is clearly a very one-sided Selection Committee that was set up if indeed they (and the organizers) saw "such grave and and vicious inaccuracies" in *Revolution Until Victory* but not in *A Wall in Jerusalem*, a film that describes Zionist settlements prior to 1948 as building on land "occupied" by the Arabs and juxtaposes shots of Nazi marchers and Palestinian peasants! Ziv and Ginsburg do not read my review accurately when they assert that I "neglect to mention that it was screened with *To Live in Freedom* which refutes the inaccuracies and omissions of the first film." What I wrote was: "... so why was no version of history from a Palestinian perspective presented? Of the films shown that day to represent the Palestinian case [*The Key*, *The Dupes*, *To Live in Freedom*], none fill that need, nor were they made for that purpose." *To Live in Freedom* does not deal (except briefly and unclearly) with the history of the conflict leading up to the establishment of the State of Israel in 1948, the period and issue *A Wall in Jerusalem* pretends, in part, to cover. Moreover, neither *To Live in Freedom*, nor any films screened that day, showed anything of the Palestinian resistance movement. *Revolution Until*

Victory does. Ziv and Ginsburg tell us "Our aim was not to 'preach to the converted.'" Yet, they later justify not showing *The War in Lebanon* during the Festival itself (but on the following Saturday at N.Y.U.) by saying that it "is a difficult film on a complicated issue . . . [and] . . . would have been extremely difficult for a general audience in a commercial theater." These two positions are contradictory. Furthermore, *The War in Lebanon* had no technical difficulties as Politi's film did. Since it was being provided with a live translation prepared beforehand, it would have fared even better than *The Dupes* which was screened on Thursday with a live translation but one that had to be improvised on the spot. (Laila Abu Saif's film was also shown with a live, improvised translation on the Monday).

Although Politi's excellent film *For the Palestinians: An Israeli Testimony* did have technical problems preventing it from being screened at the Bleeker, it and the other films shown on Saturday at N.Y.U. could have been publicized as part of the Festival mainstream instead of as events running in conjunction with it. The Palestine conflict is the central issue of the Middle East today. Its significance is recognized in the support given the Palestinian struggle by the peoples of the area, from Iran to Yemen, from Cyprus to Algeria. Yet the pre-Festival publicity totally obscured its role and importance. The issue was projected as one of Arabs and Israelis—this is the way it has been traditionally handled by the media in the U.S., and thus also routinely projects and evokes a stock set of conceptions and prejudices that mask the basic questions. In most of the publicity material distributed prior to the Festival's opening the word "Palestinian" appears only once and that is an incidental context, films like Politi's were not given separate billing, although it is one of the clearest and most powerful films on the subject screened in this country. I repeat that the upshot of the entire approach was a "diminished audience for these films and the relegation to backstage of the central issue in the Mid-East today." I would repeat also that the "abstraction of the Palestinian into a concept that represents various planes of an Israeli's life, an outcome of the colonizing mentality, is a problem . . . that the Festival, given its organization, left largely untreated." In fact, the Festival's organization exhibited this same attitude, even extending to the conduct of the panel on the conflict on Saturday. So much for "breaking through stereotyped images."

On the question of my having been consulted: Ilan Ziv talked with a number of Palestinians (including myself) about the Festival a few times. Indeed, several Palestinians were interested and prepared to help, given a clear basis and thrust for the project. But it became increasingly clear to us all that there were ambiguities and that we were to have no real input, no vote, nor opportunity to help shape, practically, the outcome of the Festival. Even when, at the last minute, advice was given to Ziv as to the re-organization of the Thursday screenings, we

found when we got to the Festival that, despite assurances to the contrary, all advice had been shelved. The key to the entire handling of the Festival is to be found in the initial setting up of the Selection Committee. There was not a single Palestinian on that Committee. The treatment of the Palestine issue was pre-set through the very selection of the Committee members and the exclusion of a Palestinian voice at that level. Regardless of what Ilan Ziv's personal inclinations might have been, the final shape and outcome of the Festival were determined by the nature of that Selection Committee. If the Festival organizers were to examine this issue clearly and carefully they will seek why they had problems obtaining some of the films they mention, and why no official Palestinian cinema representative came to the Festival. At a time when the issues of the Palestine conflict are being glossed over with talk of "dialogue" and "Sadat's peace-making" etc., official Palestinian participation in anything but a clear and unequivocal event cannot take place. Ziv and Ginsburg should surely know that.

Finally, I hope Ziv and Ginsburg will succeed in arriving at greater clarity and consistency in their projected magazine. Clarity and consistency are of the essence in these matters. If it is really to be "dedicated to the progressive criticism and analysis of films from and about the Middle East," this magazine cannot afford to handle the Palestine conflict (and its ramifications) in the way it was handled in the Festival.

— Lena Jayyusi

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